



Association of Bay Area Governments  
Bay Area Air Quality Management District  
Bay Conservation and Development Commission  
Metropolitan Transportation Commission

Joseph P. Bort MetroCenter  
101 Eighth Street  
P.O. Box 2050  
Oakland, CA 94607-4756  
(510) 464-7942  
fax: (510) 433-5542  
tedd@abag.ca.gov  
www.abag.ca.gov/jointpolicy

## JOINT POLICY COMMITTEE — REGIONAL PLANNING PROGRAM

Date: January 7, 2008  
To: Joint Policy Committee  
From: Regional Planning Program Director  
Subject: Regional Transportation Plan—Financial Incentives for PDAs

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As part of the process for developing the 2035 Regional Transportation Plan, MTC staff has requested that I bring an important policy issue to the Joint Policy Committee for discussion and advice. The issue relates to using discretionary regional transportation funding to support FOCUS Priority Development Areas (PDAs).

The attachment to this memo provides some background on PDAs and on the rationale for regional support. The body of this memo deals with the magnitude of financial need identified by PDA jurisdictions and on the potential for regional discretionary funds to fill some small part of this need. If regional discretionary funds are to be used for this purpose, some tradeoff relative to other regional and local objectives will be required, and that is the crux of the policy issue before the Committee.

### PDA Financial Need

Roughly two-thirds of the specific PDAs submitted for regional adoption were accompanied by estimates of the financial resources required to bring the visions for these areas to reality. Some of the PDAs have detailed plans, others have not even begun the planning process; so the accuracy and completeness of financial estimates vary widely. Nevertheless, the table below, compiled from the submitted estimates, provides an order-of-magnitude notion of the potential capital and operating needs associated with PDA development.

### Partial and Preliminary PDA Budgets

Purpose	Amount (\$ billions)
Street & Transit	\$16.0 (\$44.0 million operating)
Utilities	\$ 1.9 (\$2.8 million operating)
Recreation & Parks	\$ 1.2 (\$0.6 million operating)
Community Amenities	\$ 0.5 (\$2.3 million operating)
Housing	\$ 3.8 (\$5.2 million operating)
Miscellaneous	\$ 0.9
<b>Total- Capital</b>	<b>\$24.3</b>

PDA jurisdictions have no expectation that regional financial assistance will be available to cover anywhere near the current twenty-four billion dollar total or the much larger total for the complete set of all PDAs. However, regional monies can help kick-start the public component of the development process and can fill small but important gaps for which there is no other ready source of funds.

### Discretionary Regional Transportation Funds

The 2030 RTP provides a good clue to the likely amount and program allocation of regional discretionary funds in the twenty-five-year 2035 plan.

#### Transportation 2030 Discretionary Programs

<b>Program</b>	<b>Amount (\$ billions)</b>
Transit Capital Replacement *	\$1.30
Local Streets & Roads Maintenance *	\$0.99
Transportation for Livable Communities (TLC), including HIP	\$0.45
Regional Operations Program	\$0.27
Regional Bicycle/Pedestrian Program	\$0.20
Lifeline Transportation	\$0.22
Clean Air in Motion Program	\$0.04
<b>Total</b>	<b>\$3.47</b>
<i>*Note: Significant non-discretionary/ “committed” dollars are also assigned to transit capital (\$12.2 B) and local streets and roads (\$10.6 B)</i>	

Present discretionary funds are fully allocated to existing programs for which there are existing constituencies. All are oversubscribed, requiring the establishment of priorities within programs. Of the current programs, the most relevant for possible use in support of PDAs are Local Streets and Road Maintenance, Transportation for Livable Communities, and the Regional Bicycle/Pedestrian Program. These programs can act as direct incentives to local governments as they can help pay for projects which might otherwise have to be funded with local funds were they to be funded at all. That is, these programs may directly impact local-government budgets—largely through augmentation of local infrastructure investments.

### Policy Options

MTC, on behalf of the regional agencies, has made \$7.5 million available for PDA and other transit-station planning through a competitive grant program. Up to \$14 million additional planning-grant money might become available over the next few years from state and regional sources (\$10M presently committed). This is an important contribution but does not address larger capital infrastructure needs within and in support of PDAs.

If the region is interested in facilitating PDA development through the strategic investment of discretionary regional transportation funds in infrastructure, then there are four basic options for doing so:

1. Carve out a special and separate PDA fund by diverting some funding from the total Transportation 2035 discretionary pot, currently projected to be as much as \$14 billion (2007\$) depending on competing project and program proposals;
2. Carve out special PDA components within some or all of the programs which most directly affect local-government expenditures (i.e., Local Streets and Roads, TLC and HIP, and Bike/Ped);
3. Give some non-exclusive priority to prospective Transportation 2035 projects within or connect to PDAs via formula or weighting criteria (i.e., extra points for PDAs on top of the existing system for establishing allocation priorities);
4. Wait and create a PDA program only from new funds, not from existing programs (noting that the next most likely source of new funds might be a regional gasoline fee, which at best is several years away).

Some incremental PDA priority for Local Streets and Road monies can be justified by the premise that PDAs will be taking greater population growth, leading to more traffic and more wear and tear on the local street system. A well-maintained system of roads may also be instrumental in attracting more desired development. A similar argument applies to bicycle and pedestrian investments, which will also provide connectivity to transit and local amenities. The TLC program has always been associated with the promotion of smart growth. An explicit link to PDAs will provide a stronger tie to performance expectations, consistent with the general performance orientation of the 2035 RTP.

MTC staff is seeking JPC advice on the general policy options and other possible alternatives. In providing that advice, it would be helpful if Committee members could consider two perspectives: (1) that of regional policy-makers seeking progress on focused growth and PDA development; (2) that of local government officials whose jurisdictions might be affected by the re-orientation of existing discretionary funding. From both perspectives, is there sufficient interest in supporting PDAs to accept some tradeoff with the other objectives embodied in the present regional discretionary programs?

## ATTACHMENT

### FOCUS Priority Development Areas Background and Key Questions

This paper provides some background information on the PDA process and addresses three key questions about Priority Development Areas (PDAs) and their significance to the Bay Area.

#### BACKGROUND

The Priority Development Area idea is one of two complementary concepts that are at the core of FOCUS, the regional-agency initiative to encourage focused (née “smart”) growth. The other core concept is the Priority Conservation Area, about which the JPC will hear more in 2008.

FOCUS and its Priority Area designations build upon and extend a number of existing Bay Area smart-growth initiatives: the *Smart Growth Strategy / Regional Livability Footprint Project*; the jointly adopted *Smart Growth Preamble and Policies*; ABAG’s smart-growth-policy-based *Projections* series (i.e., *Projections 2003, 2005, and 2007*); MTC’s Transportation for Livable Communities (TLC) planning and capital grants program, including the Housing Incentive Program (HIP), the Resolution 3434 Transit-Oriented Development (TOD) policy; the Transportation and Land-Use Platform in *Transportation 2030*; and ABAG’s most recent Regional Housing Need Allocation (RHNA), which directs housing responsibility to jurisdictions based on the presence of high-quality transit and the potential to improve jobs/housing balance.

FOCUS acknowledges the primacy of local governments in land-use matters; and it seeks the voluntary cooperation of local governments in facilitating the development of compact and complete neighborhoods. As illustrated in the target analyses done for the *Transportation 2035* vision, this form of focused neighborhood development will provide powerful assistance to the region’s efforts to achieve greater transportation efficiency and environmental protection, particularly related to climate change.

In early 2007, local governments were invited to submit applications for regional Priority Development Area designation. To qualify for PDA status, a neighborhood has to be within an already developed community, have access to existing or proposed high-quality transit, and be planning for additional new housing. PDAs are also required to have a minimum area of about 100 acres. This is to ensure that areas are at a scale appropriate to be planned and developed as complete neighborhoods, not just as singular, unconnected housing projects.

At the time of application, jurisdictions were informed that designated PDAs could become eligible for as-yet-unspecified regional and state incentives to assist them in achieving their development objectives. Regional agencies provided only a qualified commitment to employ their best efforts to find sources for incentive funding and make this funding available at the earliest feasible opportunity. There were no firm funds and no firm timelines for funding.

In spite of only a vague and heavily conditioned promise of future incentives, fifty local-government jurisdictions submitted PDA applications covering nearly 150 individual Priority Development Areas. Divided into “Planned” and “Potential” designations based on the

completeness of present planning documents and consequent readiness for capital investment, the proposed PDAs cover about three percent of the Bay Area's land area. However, an aggregation of the jurisdictions' own estimates of future housing development suggests that the PDAs could easily accommodate nearly half of the region's projected housing growth to 2035. If realized, that could be a significant contribution to the Bay Area's focused-growth objectives.

The complete list of planned and proposed PDAs was adopted by the ABAG Executive Board on November 14, 2007.

## KEY QUESTIONS

Now that an initial set of Priority Development Areas has been confirmed and more are expected with a second round of applications in 2008, it is important to remind all involved what PDAs are about, why they are important to the region, and why they need regional support. Answers to three key questions address this need.

### *1. What are the expectations for a typical PDA?*

One size does not fit all and there is no typical PDA. Development intensity and form will depend on context and on the interaction and intersection of local aspirations and regional objectives. However, we expect that the ideal PDA will be planned as a complete neighborhood:

- that it will not be solely a housing enclave, but that it will contain a variety of uses and amenities to meet the day-to-day needs of residents and provide some employment opportunities as well;
- that it will not be planned with exclusive preference for the automobile, but that it will provide easy local and regional transportation choices for walking, biking, and taking transit and that connectivity among uses and travel modes will be as convenient and seamless as possible;
- that it will accommodate a diversity of incomes, ethnicities, household types, ages and life styles and in particular that those who are employed in the area and serve its residents will have affordable housing opportunities so they can become residents themselves;
- that both future development interests and existing residents have been included in the planning process so that the neighborhood improves without losing its essential qualities and so that both new and present residents benefit from change; and
- that development intensity, use mix and population density will be appropriate to the economics of the transit technology serving the area, so that service can be frequent and convenient and so that load factors can be optimized.

While not all—perhaps not even most—PDAs will be able to meet all these expectations (at least in the short term), we anticipate that those that do will set replicable examples that others will want to follow. Not only will these PDAs assist regional objectives for transportation and the environment, they will also provide a high quality of neighborhood life that will be very attractive to new and existing residents and overcome much of the traditional resistance to neighborhood redevelopment and intensification.

## 2. *Why are PDAs important to the region?*

A great region is built from great cities, and great cities are built from great neighborhoods. Well-planned PDAs will become great neighborhoods. But more practically and imminently, from a regional perspective, PDAs will reduce vehicle miles traveled (VMT). That is really important, as reducing VMT is central to the region's efforts to reduce CO<sub>2</sub>, one half of which comes from the transportation sector.

PDAs will reduce VMT in several ways. PDAs will provide ready access to the regional transit network of rail, ferry and bus services, and that network will be made stronger by a larger market of nearby consumers. More people will get to work and other regional destinations by transit. Load factors and fare revenues will increase, and as a result transit providers may be able to provide a higher level of service<sup>1</sup>.

Just as important as getting people on to regional and local transit, is allowing people to choose other low-technology modes, particularly walking and biking, over the automobile. Access through proximity (i.e., creating compact communities where relatively high intensity residential development is located near commercial services, recreational amenities and other frequented activities) can be immensely powerful. We know of one North American city that has doubled the residential population of its central area, adding forty thousand people, without any measurable increase in automobile trips and only a small bump in transit use. There has been a large increase in total trips, but that increase has been almost entirely accommodated by bicycle and pedestrian modes.

Finally, PDAs will result in shorter automobile and local-transit trips. As the majority of PDAs are located in the inner Bay, close to employment concentrations, even those who must drive to work will not have to drive as far. And although some retail and recreational activities might not be within walking distance, they will still be closer than in most non-PDA neighborhoods. Further, they will likely be clustered in a manner that makes multi-purpose trips and trip-linking more feasible.

## 3. *Why do PDAs need regional support?*

For the reasons outlined above and as confirmed in the target analyses done for the *Transportation 2035* vision, focused growth, as implemented in part through PDAs, can be a viable and cost-effective alternative to expensive investment in new transportation infrastructure. Focused growth is also required to get maximum benefit from the costly transit investments to which we continue to commit. Put simply, transit does not work without transit densities. Really convenient transit—transit that people who have a choice will choose to ride on a regular basis—cannot be practically and economically provided at typical suburban single-family densities. The more compact development forms contemplated for PDAs are essential to any

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<sup>1</sup> Higher load factors will also directly reduce CO<sub>2</sub>. Because of its large diesel engine, a bus with a low passenger load factor can produce more carbon per passenger than transporting a comparable number of people in single-occupant automobiles. Increasing load factors through well-located density will reverse that relationship and ensure that transit is truly carbon-efficient, as it should be.

hope of significantly increasing transit mode split, regardless of how much we invest in directly improving transit service. Therefore, it is clearly in the region's interest to support PDAs.

That support is also absolutely required, both philosophically and in tangible financial terms. Under current circumstances, meaningful PDAs will not occur at any appreciable scale without some form of regional financial assistance. There are two reasons for this, one chronic and the other acute.

The chronic reason relates to the continuing legacy of Proposition 13 and the resultant dysfunctional nature of local government finance in California. Subject to constrained and volatile tax bases, many local governments have chosen not to commit the resources required to plan complete neighborhoods. Therefore, development too frequently proceeds on a project-by-project basis, and we have too few good examples of new or redeveloped neighborhoods that really work well. The relative absence of exemplary neighborhood-scale redevelopment, planned through genuinely inclusive planning processes, fuels public skepticism and resistance to further neighborhood change. As residential development also tends to yield lesser tax revenue than alternative uses, there is also a local government inability, or at least a reluctance, to fund the amenities and even the basic capital infrastructure that quality neighborhoods require. Outside incentive funding for planning and capital works is needed to overcome these fiscal frictions.

The acute reason relates to the failure of the State of California to embrace the concept of complete, quality neighborhoods and come to the aid of the cause. Part of the Proposition 1-C state bond measure is intended to provide infrastructure investments to support infill development. For the reasons outlined in the preceding sections of this memo, we have advocated for the application of these funds on an area or neighborhood basis. However, both the Legislature and the Administration have chosen instead to emphasize an individual-housing-project approach, giving only nominal and secondary priority to area approaches. Further both the allocation legislation and draft administrative guidelines tend to spread limited funds thinly across the state, making it exceedingly difficult for any one area to obtain sufficient funding to make a difference. This is a significant lost opportunity for which regional funds may have to compensate.

## CONCLUSION

Focused growth, implemented through Priority Development Areas, is a powerful idea that could effectively bridge the gap between regional objectives and local land-use authority. The idea merits and requires tangible regional support. MTC has already made the next round of Station Area Planning Grants available to PDAs and further planning grants are contemplated. The current update of the regional transportation plan, *Transportation 2035*, provides a timely opportunity to consider ways of also making capital incentives available to support focused growth in Priority Development Areas. Tradeoffs with other worthy regional objectives may well be required, and these could be very difficult, but in the current climate of rapid change, the costs of not taking this opportunity could also be high.